

Message Text

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TO SECSTATE WASHDC 4877

INFO AMEMBASSY PRETORIA

UNCLAS JOHANNESBURG 1142

E.O. 11652: N/A

TAGS: BENC, SF

SUBJECT: COMMERCIAL PROGRAM: MAJOR PROJECTS: POSSIBLE ISCOR INTEREST
IN DIRECT REDUCTION PLANT

REFS: STATE 172564

1. AS DEPARTMENT AWARE, MIDREX TREASURER GERALD L. ANDERSON CALLED ON MINERALS AND COMMERCIAL OFFICERS JOHANNESBURG WEEK JUNE 21 TO INFORM OF MIDREX PLANS THIS MARKET. OUR REPORT TO BIC/OIM:CMM:SKMILLER OF JUNE 23, ADVISED INTER ALIA, THAT MIDREX ATTEMPTING TO SELL DIRECT REDUCTION SYSTEM TO ISCOR AND THAT MIDREX SEES ITS MAIN COMPETITION AS BEING WITH THYSEN OF WEST GERMANY FOR THE DIRECT REDUCTION PROCESS. ON THE COAL GASIFICATION SYSTEM, WHICH MUST BE RESOLVED PRIOR TO ISCOR ACCEPTANCE OF ANY DIRECT REDUCTION METHOD, WE UNDERSTAND FROM MIDREX THAT ITS MAIN COMPETITION IS BETWEEN DAVEY-ASHMORE OF THE UK AND KRUPP-KOPPERS AND LURGI OF WEST GERMANY.

AS IT NOW STANDS, ACCORDING TO ANDERSON, MIDREX BELIEVES IT CAN SELL ITS DIRECT REDUCTION SYSTEM TO ISCOR UPON THE LATTER'S RESOLUTION OF THE COAL GASIFICATION SYSTEM WHICH, ALSO ACCORDING TO ANDERSON, IS NOW UNDER ACTIVE CONSIDERATION BY ISCOR FROM ONE OF THE ABOVE FIRMS.

2. ANDERSON INFORMED US THAT MIDREX IS SO CERTAIN OF THE RESOLUTION OF THE COAL GASIFICATION QUESTION AND SYSTEM THAT IT HAS ALREADY BEGUN TO CALL FOR SUPPLY TENDERS IN THE RSA FOR ANCILLIARY EQUIPMENT. ISCOR (IF IT PURCHASES A DIRECT REDUCTION PLANT AT ALL) WOULD REQUIRE THAT IT HAVE A SUBSTANTIAL LOCAL CONTENT.

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3) AS REGARDS CONSTRUCTION TIMETABLE FOR DEVELOPMENT OF PROJECT
AS PER DEL, WE HAVE NO
INFORMATION FROM ISCOR EITHER HISTORIC
OR CURRENT THAT SUCH A PROJECT IS PROGRAMMED FOR THE FORESEEABLE
FUTURE. WHILE IT IS TRUE THAT MIDREX PLANNED TO BID ON THE
PROJECT IN OCTOBER (AS ABOVE), OUR INTELLIGENCE IS THAT ISCOR
WOULD MAKE A DECISION ON A DIRECT REDUCTION PLANT ONLY UPON
RESOLUTION OF VIACITY OF THE COAL GASIFICATION SYSTEM ON WHICH
MIDREX IS PLANNING (WE UNDERSTAND) TO BASE ITS PROPOSAL FOR
THE DIRECT REDUCTION SYSTEM.

4) WE FURTHER UNDERSTAND THAT ISCOR HAS YET TO DECIDE ITSELF
AS TO THE FEASIBILITY OF A SYNTHETIC COAL TO GAS SYSTEM IN DIRECT
REDUCTION HOWEVER, WE WILL REPORT FURTHER DETAILS/INFORMATION
AS AVAILABLE.
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